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FIRST COUNTRY COOPERATION FRAMEWORK FOR ARUBA (1999-2001)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Aruba outlines the programme for technical cooperation between the Government of Aruba and UNDP for the period 1999-2001. It is based on the Macroeconomic Policy Framework for 1998-2002; annual economic summit reviews and consultations with UNDP.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Aruba is under a political arrangement known as Status Aparte in which the Netherlands remains responsible for defence and foreign affairs, while economic and social development are carried out by the Aruban Government. Tourism, which accounts for nearly 35 per cent of the gross domestic product (GDP), 70 per cent of total exports, and 35 per cent of employment, emerged as the main economic activity in 1987, following a decline in the oil sector. However, oil refining and storage, as well as offshore banking and free-zone trade remain important to the economy. The rapid growth of tourism over the last decade has contributed to the expansion of sectors such as construction. In the early 1990s, the economy of Aruba recovered from the recession of the mid to late 1980s. The closure of the refinery in 1985 came on top of an earlier downturn in tourism and led to a decline in real GDP. Both the public and private sectors responded swiftly to these devastating developments, which caused unemployment levels to rise to 20 per cent. The response focused on the development of the tourism product and investments in physical infrastructure. Aruba experienced a boom period in which policies were geared at not overheating the economy. In 1997, the economy grew more moderately for the third consecutive year. Altogether, the economy has sustained an annual average real growth rate of 4.6 per cent without inflation over the 1995-1997 period; one of the key macroeconomic policy objectives remains the containment of inflation.

3. According to the Central Bank of Aruba, approximately 50 per cent of the population of 91,000 are women. From all available indicators, living standards are high in Aruba: full employment levels have been achieved for the seventh consecutive year, at $18,749, per capita is among the highest in the region; the average life expectancy is 73.1 years for males and 80.7 years for females; and infant mortality is 8.1 deaths per 1,000 live births. Moreover, in recent years, notable improvements have been made in personal and household incomes, old-age pensions, allowances for the disabled, minimum wages and the provision of social services. Nevertheless, the Government continues to address many critical social and governance issues that are masked by the macro statistics. The inadequacy of disaggregated statistics hampers in-depth analysis of equity issues, but some of the major sustainable human development challenges are outlined below.

4. Women. The 1994 Labour Force Survey of the Central Bureau of Statistics showed that despite having attained the same educational level as men, the adjusted average gross salary for women was much lower than that for men and female employment was concentrated in lower-paid, lesser-skilled occupations. Aruban employment legislation contains certain discriminatory articles which

need to be urgently adjusted. Despite the low unemployment rate, roughly 3,000 heads of households, 60 per cent of which are headed by females with dependent children, are on welfare. To increase and facilitate the participation of women in the labour market, the Government has aided the development of child-care centres and facilities for the supervision of children after school hours, but programmes that would provide meaningful jobs and improve the quality of women's lives are still needed.

5. Population and poverty indicators. Statistics from the Central Bank of Aruba reveal that the population has grown by approximately 8 per cent since 1995, and average growth rates of about 5 per cent per annum. Immigration spurred by employment in the booming tourism and construction sectors is evident. Neither data nor analysis of the situation of immigrants are currently available, but a protocol/treaty on refugees exists. It is estimated that 33.3 per cent of the persons working in tourism, 50 per cent of construction workers, 36.5 per cent of managers and 3.8 per cent of professionals are expatriates. The growth in population has increased the demand for social services, particularly health care, education and housing, in the face of budgetary constraints. Social integration also emerges as issue in terms of language, culture and the changing demographic characteristics. Although per capita GDP is high, income distribution is unequal, with large income gaps between groups. In 1993, the Gini coefficient was 0.38, with the lowest 10 per cent of households earning 1.2 per cent of income, while the top 10 per cent earned about 25 per cent. While the standard of living has been enhanced for most groups in the society, based on the last census (1991), it is estimated that a significant number of households, perhaps as high as 40 per cent (including immigrants and other marginal groups), are living near the poverty line of approximately $1,200 and are therefore vulnerable. There is an estimated 3,500 households on welfare, 1,200 of which are receiving handicap benefits of about $460. The remaining 2,300 families are classified as the extreme poor. However, within the welfare programme, households cannot receive benefits, which are valued above minimum wage. It is the Government's intention to reduce the number of households on welfare through the provision of meaningful employment.

6. Health and education. The costs of health-care in Aruba are relatively high although the Government pays over 70 per cent of the total annual costs. The Government is seeking to strengthen health care by upgrading medical services, infrastructure, and management systems while reducing operational costs. The introduction of the General Insurance System for Health Care Costs (Algemene Ziekte Verzekering) will establish a comprehensive health insurance framework that provides an essential national health service package for everyone. HIV and AIDS transmission rates appeared to be low in 1997 - 33 reported cases of AIDS (24 males and 9 females), 43 per cent contracted through heterosexual contact. At the end of 1996, there were 223 reported HIV-positive cases although the level of under-reporting is not clear. According to a study prepared for the Caribbean Consultation on HIV/AIDS: Strategies and Resources for a Coordinated Regional Response, held in June 1998, approximately 3,000 commercial sex workers from other islands are currently in Curaçao and Aruba. High rates of teenage pregnancy and other forms of risky sexual behaviours have wide implications. The Government plans to increase its public-awareness campaigns and advocacy on HIV/AIDS issues. In 1997, Aruba received support from

the Joint United Nations Programme on HIV/AIDS (UNAIDS) for the development of a public-awareness programme to highlight critical HIV/AIDS issues. A Bureau for National Drug Policy Coordination has developed a master plan for 1997 and beyond to address drug issues.

7. The 1994 Labour Force Survey identified one in five workers (Aruban and foreign) had attained a level beyond the first stage of secondary education which is generally from age 11 to 14 years. However, students do have the option to continue their secondary education up to an additional four years, during which they can specialize in different fields such as the vocational/ technical, service sector, secretarial services or administration. Immigration has put pressure on the formal education system since a high percentage of immigrant children do not speak Dutch or Papiamento. Investing in human capital, especially managerial and leadership skills-training for sustainable development, is a priority for the Government and the private sector. The establishment of the Aruba Quality Foundation was one of the first responses to this challenge. In 1997, the education budget accounted for nearly 4 per cent of the GDP; the goal for the year 2002 is 6 per cent of GDP. The education programme gives priority to modernizing primary and secondary level curricula, increasing professional education and constructing or renovating school buildings.

8. Environment. The predominant role of the tourism and oil industries in the economy, rapid population growth, limited land space, and Aruba's dependence on the sea make proper environmental planning imperative. The Government subscribes to the polluter pays principle, where the emphasis is on investing in the prevention of pollution, the encouragement of energy efficiency and conservation, the use of environment-friendly products, and efficient waste management. However, there is need to increase further public awareness and sensitivity to the importance of protecting the environment, environmental impact assessments and environmental legislation concerning the regulatory framework and zoning. The Government, non-governmental organizations (NGOs) and the Aruba Hotel and Tourism Authority collaborated for the creation of Arikok National Park (for which 25 per cent of the surface space of the island of Aruba has been reserved), an underwater marine park, and the drafting of a physical development plan for Aruba. The plan for the park sets out the measures and institutional mechanisms required to strengthen environmental management in Aruba in conforming with the Montreal and the Specially Protected Areas And Wildlife (SPAW) protocols. If requested, UNDP will assist within the framework of the Small Island Developing States Programme of Action.

9. Government policy framework and goals. The Government, which took office in June 1998, is a coalition seeking to build consensus around development priorities. The policy framework for the period 1998-2002 establishes objectives to maintain moderate but steady economic growth. Tourism remains the mainstay of the economy, with continuing emphasis on economic diversification. Considering Aruba's limited resources, the Government is attempting to diversify the economy primarily within the existing tourism and offshore industries. A higher-quality tourism product is being sought through improvements in infrastructure and related services as the higher-income segment of the tourist market is being targeted in promotional campaigns. Offshore banking activities are also being targeted as other sources of revenue.

10. Aruba has a long reputation for sound and efficient governance, particularly with regard to its institutions, participatory democracy and its public administration system. The Government's policy is to develop an efficient public administration that includes a privatization policy to reduce operations and procedures and increase public control and efficiency. The recently approved policy paper "Reporte di Calidad" (Quality in Good Governance) focuses on the role of public officials and the State in guiding reform and transforming and modernizing the Aruban economy while promoting increased transparency and responsibility. The introduction of budget controls and monitoring have laid the groundwork for sustained improvement of the public finances over the medium term. A prudent fiscal policy will be applied to reduce the fiscal deficit and achieve a balanced budget in the year 2000. This effort is being accomplished by restraint in expenditures, revenue-enhancement measures, narrowing the public sector deficit without undue pressure on domestic credit, and maintaining the current level of international reserves. The public sector will be made more responsive to the needs of the population and efforts will be made to increase the efficiency and effectiveness of its delivery of services.

11. The Government hopes that with the successful adoption of these measures, social conditions will continue to improve. The completion of a social development framework for planning will be guided by the objectives designed to achieve equity and protect vulnerable individuals and communities. The Government's development policy gives high priority to human resource development and capacity-building. Through EnseZanza pa Empleo, its Employment Protection Programme, the Government will increase expenditures in education and focus its support on intermediate training programmes. The Government will also broaden the participation of civil society in the development process. In summary, the macroeconomic strategy has achieved significant results and transformed Aruban society. Social development and social equity have re-emerged as prominent development issues over the 1998-2002 planning framework.

II. RESULTS AND LESSONS OF PAST COOPERATION

12. Although the Government of Aruba finances a major part of its development activities, significant resources are provided by the Government of the Netherlands through the Cabinet for Netherlands Antillean and Aruban Affairs (KABNA) and the European Union, primarily in the areas of infrastructure, social, environmental, and industrial development. The proposed budget of KABNA for development aid for the Netherlands Antilles, including Aruba, is $137 million and $127 million for 1999 and 2000, respectively. The European Union provides ecu 9.1 million to Aruba for the current National Indicative Programme of the 8th European Development Fund. As a net contributor country, the Government of Aruba avails itself of the resources of the United Nations system because of its multilateral nature, objectivity, neutrality, and flexibility in assisting in the implementation of technical cooperation programmes. The first CCF reflects the confidence placed in UNDP and the United Nations system agencies, which offer certain competitive advantages in their areas of specialization. The first country programme for Aruba covered the period 1987-1991 and was subsequently extended to the end of 1993. It covered

economic development, institutionalization of the national development planning process, modernization and strengthening of planning, computerization of the Customs Department, and fisheries development. The programme was fully cost-shared and contributed to increased capacity for development planning, a computerized system to document and monitor tax receipts from foreign trade, and an evaluation of the viability of the fisheries industry.

13. A note by the Administrator to the Executive Board on UNDP cooperation with Aruba (DP/1996/5) was approved for the period 1994-1996. From 1994 through 1998, UNDP and selected United Nations technical departments have provided Aruba with technical cooperation that focused on three areas of concentration: (a) economic analysis and the development of management capacity (including econometric modelling and generation of economic indicators); (b) the development of a public investment system (including project evaluation and monitoring); (c) the expansion of social capabilities, including the development, measurement and monitoring of social indicators), and economic and social institution-building (including the establishment of a training seminar framework on economic analysis and public investment and a social system framework); and (d) the establishment of an epidemiology unit. Resources for these programmes came primarily from government cost-sharing and KABNA development funds. A total of $1.7 million was allocated to new projects during the 1994-1997 period. Of that amount, 60 per cent was allocated for economic reforms and restructuring of the productive sector, and 40 per cent was allocated to human development and social-sector management. Other selected technical cooperation missions requested by the Government were financed by limited UNDP funds that were available at the time. It is of note that no reimbursable target for resource assignment from the core (TRAC) funds have been allocated to Aruba during the period of the first CCF.

14. The official consensus on the impact of United Nations technical cooperation is that it has been effective, particularly in the transfer of knowledge and the building of national capacity. Through UNDP assistance, issues of sustainable human development have come to influence policy-making. Aruba has established an initial human development index and will seek to refine and develop it further, including the development of a gender development index. The national execution modality and the approach of learning by doing have been successfully implemented in Aruba, with few bottlenecks. This is evident in the increase in policy papers emanating from key ministries that have had wide acceptance and a positive impact on socio-economic development management. Technical cooperation has been driven by national demand and the need for the transfer of technology. The Government has identified the areas of technical cooperation that need to be addressed, the resources required, the duration of the activities, and the modality of implementation with UNDP. The Government influences the programme development process and manages technical cooperation resources well.

III. PROPOSED STRATEGY AND THEMATIC AREAS

15. The first CCF coincides with the installation of a new coalition Government. It emphasizes capacity-building for social development, consistent with the priorities and goals established for the Government's development

programme E Caminda na Milenio Nobo, 1998-2002 (The Path for a New Millennium, 1998-2002). A subsidiary focus will be macroeconomic management. UNDP funds will provide support for the establishment of permanent mechanisms in the public sector that promote social development in the areas of policy formulation, project implementation, monitoring and evaluation in a cost-effective manner, using TCDC as a primary modality for achieving this goal. Thus, Aruba will benefit from regional and international experiences, including in areas such as community needs assessments, poverty assessments, policy coordination and management. In addition, the United Nations Volunteers (UNV), Transfer of Knowledge through Expatriate Nationals and United Nations International Short-Term Advisory Resources modalities will be utilized where relevant.

A. Strengthening capacity for social development

16. The policy framework E Caminda na Milenio Nobo, 1998-2002, stresses that specific social goals must be achieved, including social cohesion; social equity; the advancement of women; and attainment of higher levels of education and skills to reduce the reliance on expatriates at all levels and to ensure that all groups benefit from economic advancement. Working with the Ministry of Economic Affairs, Social Affairs, Tourism and Culture (MESTC), UNDP assistance will centre on building capacity in the collection and analysis of social data, desegregated by gender. UNDP support will also be provided for the formulation and implementation of social policy development programmes and action plans. As part of this assistance, emphasis will be placed on preventative social policies and defining a role for NGO participation in policy formulation and implementation. Assistance will also be provided for improved coordination and increased efficiency in the provision of social services. These programmes will target vulnerable groups, including women and youth, while seeking to assess reliable poverty indicators within Aruba. In conformity with the Beijing Platform for Action, UNDP will facilitate increased knowledge for policy makers and planners regarding gender issues relevant to formulating policies, plans and legislation that have an impact on women and will help to upgrade the skills of female professionals. Success will be reflected in the implementation of effective social policies and programmes, legislation that incorporates gender concerns, and the participation of women at the most important levels of the economy.

17. UNDP will strengthen the Department of Social Affairs' capacity to generate and evaluate Aruba's human development index and its social indicators by helping to develop a database of social indicators. These indicators will inform socio-economic policies concerning gender equity, the situation of vulnerable groups and migrants, and poverty alleviation. Consequently, development programmes and public expenditures can be more effectively targeted at the issues highlighted. An important aspect of UNDP assistance will be the strengthening of human resource development within MESTC to strengthen the skills of social planners, particularly in the design and evaluation of social plans and programmes, using a participatory approach incorporating the NGO community. Linkages will be forged with the Ministry of Education and Labour for the incorporation of relevant programmes within the curricula of educational and vocational institutions wherever feasible.

18. Formulation of strategies and action plans in support of community development. UNDP collaboration will promote social development that empowers communities. Prior to the recent publication of the Social Profile by the Central Bureau of Statistics, comprehensive social research or analysis, as it applied to communities, was not conducted. UNDP, will assist the Department of Social Affairs and the Community Development Unit of MESTC in preparing an inventory of programmes and an analysis of the social conditions of vulnerable communities, focusing on family units in crisis. This will take the form of a social map that will identify societal problems, including poverty levels and the problems of youth at the community level. A community-based approach will be adopted to address the problems of needy households through relevant education, training and community-development programmes. Support will be sought from the United Nations Industrial Development Organization, the International Labour Organization, other United Nations specialized agencies and the private sector, as appropriate. The successful implementation of these programmes will result in notable improvements in educational and social aspects for Aruban families, particularly female-headed households; the reduction of welfare recipients; an improvement in the delivery of social services; and a general improvement in the quality of community and family life.

19. HIV/AIDS Prevention and Control. Work under way in this area will benefit from the proposed reorganization of the Epidemiology Unit of the Public Health Department. UNDP will assist the Government by providing UNVs, who will, inter alia, help to build its capacity to formulate public-health policies, including one for HIV/AIDS, based on statistics to be provided by the Epidemiology Unit. UNDP, along with the Pan American Health Organization/World Health Organization and the Caribbean Epidemiology Centre, will continue to assist the Department of Public Health in the establishment of a surveillance centre that would also serve as a training centre for its staff members and private physicians to improve data collection and management information systems for preventing and monitoring the spread of diseases. UNDP collaboration with UNAIDS will also continue in the implementation of a $10 million Caribbean-wide HIV/AIDS programme that includes Aruba and addresses critical issues regarding the impact of tourism and migration on the regional HIV/AIDS situation. The programme will also target youth and people living with HIV/AIDS. UNDP will assist the Government in mobilizing resources for these activities from UNAIDS and other international sponsors. The success criteria will be: (a) increased public knowledge of the incidence and prevention of the spread of sexually transmitted diseases, including HIV/AIDS; (b) greater sensitivity of policy makers to these concerns, as reflected in social policies; and (c) improvements in the collection and analysis of health indicators.

B. Ongoing activities - macroeconomic management

20. Selected activities and/or consultative interventions will take place in cooperation with MESTC and the Ministry of Finance to build capacity in formulating and implementing economic and fiscal policies and programmes; support development management; develop information database management and reporting; and manage governance. UNDP will utilize the support services of international and regional consultants including United Nations specialized agencies, the United Nations Department of Economic and Social Affairs and the

Economic Commission for Latin America and the Caribbean, to provide in-service training and direct advisory services in these areas.

IV. MANAGEMENT ARRANGEMENTS

21. Execution and implementation. The national execution modality will be used to maximize national ownership and country-level participation and to build capacity through the transfer of skills and knowledge to Arubans. Because of limited counterpart support, UNDP will support the Government in implementing projects, once requested. Wherever appropriate, other United Nations agencies, local NGOs, and regional institutions will be convened to collaborate with the programme.

22. Monitoring and Review. The CCF will be subject to annual reviews, a triennial review, impact assessments, and in-depth evaluations as required, in accordance with standard UNDP policy. Within the MESTC, the Department of Economic Affairs, Commerce and Industry, as the UNDP counterpart agency, will be responsible for facilitating the reviews and developing follow-up actions.

23. Resource mobilization. UNDP programmes in Aruba are financed entirely through government cost-sharing, which emanates primarily from the Netherlands. The UNDP resource mobilization strategy will continue to seek available funds from the Governments of Aruba and the Netherlands as well as to encourage joint programming activities with the European Union. In addition, UNDP will seek to mobilize the private sector and NGO communities as a new source of funding. Another method of mobilizing resources will be to form strategic alliances with United Nations system partners and other donors, creating the added advantage of better coordinated programmes and development cooperation. The attached annex reflects the resources expected to be available to support the UNDP programme over the 1999 to 2001 period.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ARUBA (1999-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated carry-over into 1999	1	
Subtotal	1	
NON-CORE FUNDS		
Government cost-sharing	2 350	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	60	
	of which:	
UNAIDS	60	National AIDS Programme
Subtotal	2 410	
GRAND TOTAL	2 411	

Abbreviations: TRAC = target for resource assignment from the core; and UNAIDS = Joint United Nations Programme on HIV/AIDS.